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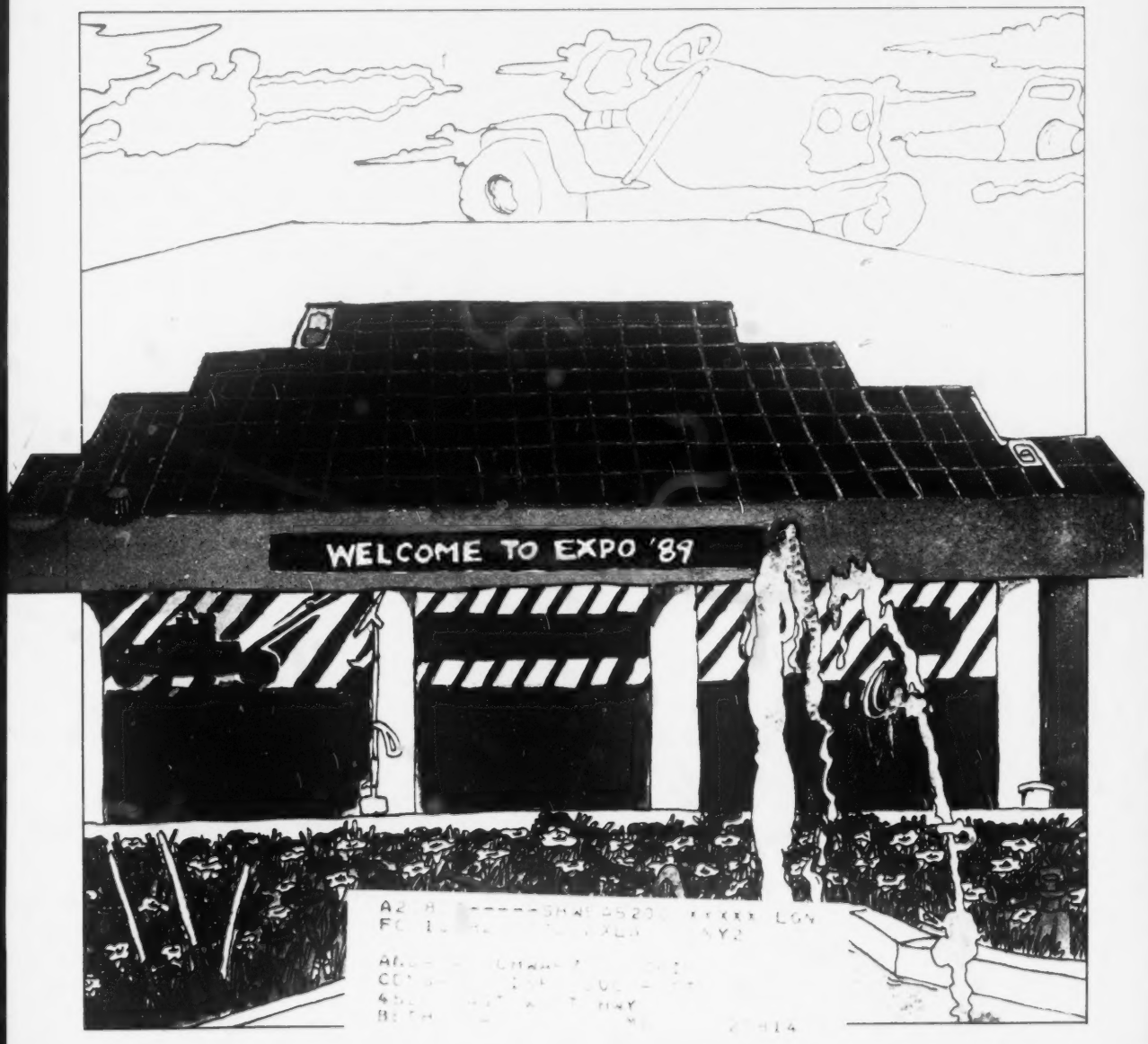
Lawn&Garden Marketing™

JULY 1989

An Intertec publication

Cover story: You can find it at Expo 89

OPE dealer profiles • Customer surveys



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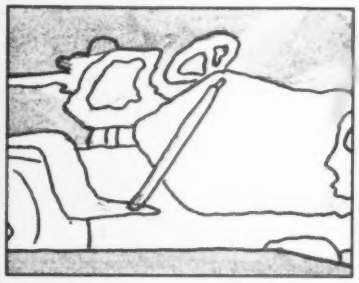

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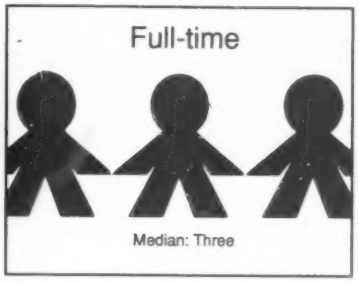

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OPE dealer profiled

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Did you know?

Sixty-seven percent of independent OPE dealers say trade shows are a "very effective" way to find out about new products; 56 percent say the same of distributors' representatives; and 54 percent say manufacturers' reps.

Source: 1989 *Lawn & Garden Marketing* study "Anatomy of a Power Equipment Dealer"

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From the Editor

I have heard some comments lately that remind me of a game children often play in school. In this game called "Telephone," classmates stand in a line and the teacher whispers a phrase in the first child's ear. That child then repeats the statement to the next child, and that child to the next, and so on down the line until the last child in line repeats aloud what he has heard. Usually the whole class laughs because by the time the phrase gets to the last child, it barely resembles the original statement.

I have the impression that someone is playing this game with the lawn and garden industry, but I don't think anyone is laughing. The phrase that is being repeated is that Mom & Pop retailers are not going to be in business much longer. If this is indeed true, someone forgot to tell the Moms & Pops. Most importantly, the facts don't substantiate the comment.

I think part of this rumor can be attributed to the misuse of the term. "I think the perception is that the typical 'Mom & Pop' operator is a man in bib overalls, plaid shirt and wheat between his teeth," explains Charles Dunn, founder of the Garden Center Institute, Atlanta. "That's just not the marketplace."

In reality, the term is meant to describe an independently owned or family-owned and operated business; it is not meant to describe limitation of size, dollar volume or business expertise. Pike Nurseries of Atlanta is a perfect example of a Mom & Pop retailer. Is it going out of business? I doubt it. According to an annual report, Pike is ranked 18th out of a list of the top 100 lawn and garden retailers in the United States and reportedly made $42.5 million last year from some 16 retail outlets. And of independent OPE dealers, almost one in five make $1 million or more per year and typically from a single outlet.

Is the business environment growing less favorable for independents? Not according to the U.S. Census Bureau. In 1980, there were 6,300 retail nurseries and garden stores in operation. In 1985, there were 8,500, and in 1986 there were 8,800. Since 1980, this part of the industry alone has grown in number of outlets by nearly 40 percent. These numbers do not include hardware or power equipment retail outlets, two other major independent retail categories that this magazine's own circulation figures show have grown in a similar proportion.

I think if we were to trace the comment of the demise of Mom & Pops to its original source, we would more likely hear something like: "Mom & Pop retailers of the future, who want to compete effectively in the marketplace, will fine-tune marketing strategies, capitalize on specialty marketing niches and focus on their areas of expertise in product knowledge and service." Most independents are already doing just that and they will continue to thrive.

I do think in the future we'll see more lawn and garden independents joining forces with co-ops that will allow them to retain their independence yet give them buying clout and merchandising assistance. But most importantly, I share Charlie Dunn's opinion. The statement that Mom & Pop stores are going out of business is, as he says, "absolutely absurd."

Susan L. Anderson

Lawn&Garden Marketing

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ABP INTERTEC PUBLISHING VBPA

By Wendy A. Bishop, *associate editor*

Servicing dealer profile

The majority of servicing dealers who answered a survey in the March issue of *Lawn & Garden Marketing* feel positive about the future. More than half said they plan to expand their businesses in the next three years, and one in three have no plans to change the size of their operations.

Of the seven percent who said they either plan to reduce the size of their operations, retire or sell out, several mentioned the high cost of liability insurance as one reason. After 35 years in business, Roger Liberty, president, Liberty Lawnmower, Chicago, said, "With insurance costs, it's not worth being in business anymore."

Very few respondents lamented about the drought conditions over the past few seasons and chose, instead, to discuss the positive factors of being a servicing dealer. "[I] enjoy being a part of a vital service to the community," said Paul Faber, owner, Faber's Small Engine Equipment, New Lexington, Ohio.

The survey, which is based on responses from more than 260 independent power equipment dealers, demonstrates that service can be a profit center for dealers.

Most—34 percent—of the respondents said they derive 21-40 percent of their annual sales from repair services. 29 percent said repair services generate 41-60 percent of their annual sales.

One subject that nearly all the respondents agreed on was that service helps sell the product. "Sales and service go well together," said Paul E. Yoder, owner, Small Equipment Service Center, Union, WV. "If money is available, people buy; if not, they get the old fixed. Either way helps us."

Service fees

When it comes to charging for service, there were as many different opinions as there were respondents. Shop labor rates varied anywhere from a low of $10 per hour charged by one Pennsylvania dealer to a high of $50 an hour charged by one New York dealer. The median shop labor rate was $29.85.

Dealers also had a variety of charges for the specific services they provide. While some simply charge their regular shop labor rate plus parts for jobs like tune-ups, others have a set fee.

Of the 92 percent of the dealers who do tune-ups, the high charge was reported by a dealer in Minnesota—$100; the low was $12.50 reported by dealers in Indiana and Texas.

Although many of the 81 percent who do visual estimates said they don't charge, a high of $25 was reported by dealers in New York and Texas. Many of the 78 percent who do tear-down estimates don't charge or eliminate the charge if the equipment is actually serviced. The high was reported by a dealer in Minnesota who charges $75.

More dealers pick up riders—81 percent—than deliver them—73 percent. Of those who do, the low reported was no charge and the high of $50 each way was reported by a dealer in California.

The same is true for pick up and delivery of walk-behind mowers. Eight percent of the respondents said they pick up, but only 70 percent deliver. As expected, the low was no charge, the high was reported by a Texas dealer who charges $30 each way.

Many dealers don't have a fixed rate for pick up and delivery; they charge by the mile. A low of 20 cents per mile and a high of $1 per mile were reported.

The backbone of servicing dealers

Good mechanics are what differentiate a profitable dealership from an average shop. Respondents agreed that without qualified mechanics they would be lost.

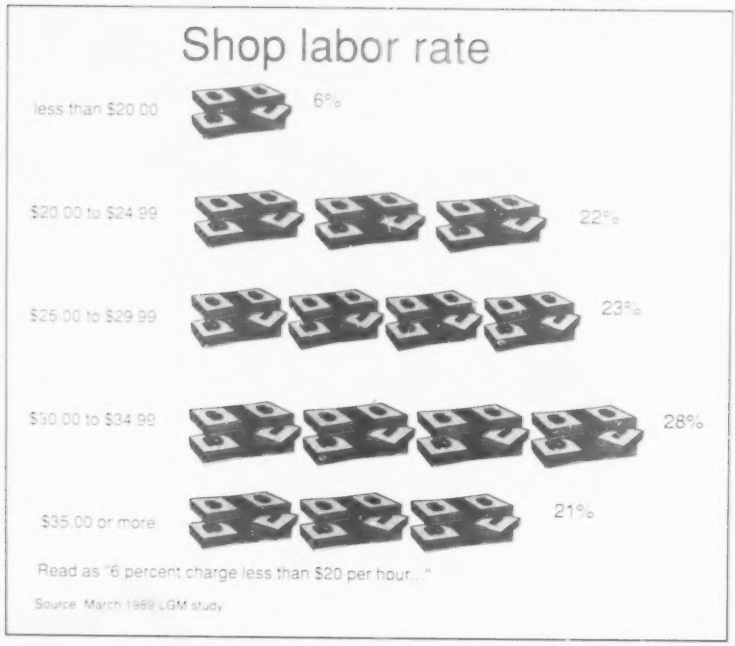
Ninety-four percent of the respondents said they employ at least one full-time mechanic. Thirty-four percent of those employ two full-time mechanics; 15 percent employ three or four; and only 4 percent employ five or more.

Nearly half of the respondents—48 percent—employ at least one part-time mechanic. Most—33 percent—employ one; 14 percent employ two; and only 2 percent employ three or more.

More than one in three dealers employs at least one seasonal mechanic. Twenty-four percent of those employ one; 9 percent employ two; and 3 percent employ three or more.

In order to become qualified technicians, small engine mechanics get their

continued . . .



Wendy A. Bishop is the associate editor of *Lawn & Garden Marketing*. Each month she calls on retailers of lawn and garden products across the United States to discuss topics of relevance to their businesses. Retailers also are queried each month through surveys in *Lawn & Garden Marketing*. The results of these surveys are compiled by the LGM research department for use in the magazine and the industry at large.

Where are all the good mechanics?

What brings customers to a shop?

Servicing vs. service

Many of the dealers who related stories of success expanded on their definition of service. To some it meant the actual repair of equipment, but to others it included total customer treatment. "Always be fair, honest and helpful," said Aram J. Noorigian, manager, Friendly Sales & Service, Shallotte, N.C. "Show the customer that you are here to serve him and he will always be back."

Another dealer said, "Our service is built on customer satisfaction no matter what the obstacles," said Richard Tidwell, owner manager, Coastal Lawn & Leisure, Panama City, Fla. "I handle all customer problems personally."

Larry N. Wyneen, owner, Larry's Engine Clinic, Shawano, Wis., continued a step further. "Quality service at a profit is the only way for an independent retailer to survive in this competitive market."

One complaint several respondents had was that because mass-merchants do not service the equipment they sell, independent dealers are getting a great deal of warranty work on equipment they did not sell, which cuts into profits. However, at least one dealer feels this business is the wave of the future. "We will have to cooperate with mass merchandisers and service what is sold because this is what [the industry] is going to," said A.J. Robinson, owner, Robinson Lawn & Garden, Stigler, Okla.

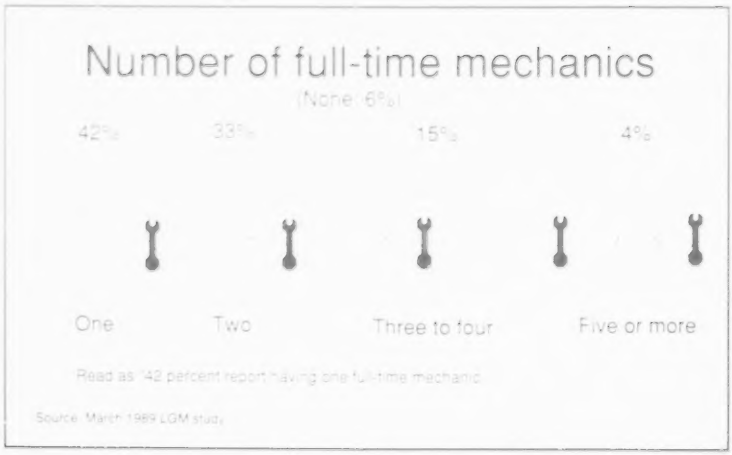
While many dealers service only the brands of equipment they sell, others have created different approaches.

Dean L. Little, owner, Dean's Repair, Creston, Iowa, says his shop services equipment purchased in his shop first and then equipment purchased elsewhere. In peak season, he takes only equipment sold by his shop for repair.

Sue Gaulke, owner, Speedway Sales & Service, Wauwatosa, Wis., says her shop gives a discount on repairs to customers who purchase their equipment from her.

The bottom line

Although respondents had their share of complaints about the industry, on the whole, most were satisfied to be in the business. While the drought has decreased sales of new equipment and prevented people from needing the equipment they already own, most dealers felt the future was looking up. As P. A. Dalle, vice president, Swing-In Mower, Roch, N.Y., put it, "Here's hoping 1989 is a better year." **—LGM**



Study analyzes biological pesticide market

The world market for natural pesticides could be worth $8 billion by the year 2000, according to a study from Frost & Sullivan. The microbiological and biochemical products would have to pass through governmental approval, gain market acceptance and work well in order to reach that figure.

Products that are now in the laboratory will have to face at least three to five years of testing before market release. However, the market for this type of pesticide could reach $2 billion in the United States in 15 years.

The chemical pesticide industry is growing at a slow rate due to a decline in prices, under cultivation of land and intensity of chemical pesticide use. The report advises companies interested in entering the biological market to develop expertise and technology in the area and to use strategic planning and research to market their products.

The report suggests that new products will come from several different technologies. Recombinant DNA techniques will give common microorganisms the ability to act as pesticides and disease suppressants. Bioprocessing will produce large quantities of pest controls at lower costs. Eventually, advances in cell biology will discover ways to make plants themselves more hearty and pest resistant.

Alternative insecticides and herbicides will include bacteria, viruses, fungi, other microorganisms and regulatory messenger-control chemicals.

For more information or to purchase the study, contact Frost & Sullivan, 106 Fulton St., New York, NY 10038, (212) 233-1080.

AAN to help slow global warming

The American Assn. of Nurserymen is leading a program to help stop the greenhouse effect. By planting trees, the Global ReLeaf program hopes to eliminate excess carbon dioxide created by burning fossil fuel. Bryan Corsini, AAN director of grower services, says that by planting in sites that are now available, "We can offset U.S. emissions of CO_2 by 18 million tons each year."

Retailers will be called on to distribute consumer information on planting, maintenance, global warming and the Global ReLeaf program.

Other program goals include: passage of the National Energy Policy Act; a halt to funding of deforestation projects; passage of Clean Air Act amendments to reduce pollutants that threaten forests; and increased research.

Retail study shows drought effects

The Garden Centers of America has finished a survey that determined the change in sales due to the drought. Twenty-eight percent of GCA members responded. The national average was down 12 percent. Wisconsin and Michigan were hardest hit, claiming a 25 percent drop in sales. Other states that reported a decline in sales of more than 10 percent include:

State	Percent impact on sales	State	Percent impact on sales
Michigan	-25%	Alabama	-15%
Wisconsin	-25%	California (Bay Area)	-13%
Missouri	-19%	Georgia	-13%
Kentucky	-18%	Indiana	-13%
Minnesota	-18%	Pennsylvania	-12%
New Jersey	-18%	West Virginia	-12%
Illinois	-17%	Maryland	-12%
Tennessee	-16%	Ohio	-11%

Source: Garden Centers of America 1989 membership survey

Briefs

• A new organization, the Canadian Sphagnum Peat Moss Assn., has been formed. Representatives from more than 15 companies met in late November to develop a plan to stimulate growth for their peat moss products in North America. Gerry Hood of Edmonton, Alberta, was elected president.

• Lance Mayer is the new natjonal sales manager for **Decor America Inc.**, Compton, Calif. Mayer will be responsible for sales management for housewares and gardenware.

• The new president of **Chevron Corp.** San Francisco, Calif., is John E. Peppercorn. He succeeds Robert W. Davis, who is retiring after 38 years of service. David J. O'Reilly will become senior vice president.

• Sheila Taylor has been named the western regional sales manager for **Rain Bird**, Glendora, Calif. She will be responsible for all sales, marketing and promotional activities in 19 western states.

• Ernie Hodas, president of Century Supply Corp., a Madison Heights, Mich.-based distributor of irrigation equipment and supplies, has been elected chairman of the board of The National Assn. of Wholesaler-Distributors.

• **Rubbermaid Inc.**, Wooster, Ohio, and **Sommer Allibert Ltd. Co.**, Paris, France, have agreed to form a joint venture to make and sell casual resin furniture. Rubbermaid-Allibert Inc. will distribute its products to specialty furniture dealers, the mass market and the contract market throughout North America.

• Russell H. Ireland Jr., John W. Braken and Thomas Courtright are new members of the board of directors of the American Assn. of Nurserymen. In other news, Lawrence E. Scovotto, AAN executive vice president, has been elected to the Small Business Legislative Council board of directors.

• C. Stephen Ramsey was promoted to vice president of sales and marketing for the scissors, hand tool and lawn/garden products group of **Fiskars Mfg. Corp.**, Wausau, Wis. He will be responsible for strategic direction and overall management of marketing and sales functions.